

June 25, 2003

CENTRAL MAINE POWER COMPANY
Request for Approval of Affiliated Interest
Transaction with Union Water Power Company

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order, we approve Central Maine Power Company's (CMP) request for approval of affiliated interest transaction with its affiliate Union Water Power Company (Union Water or Union) pursuant to 35-A M.R.S.A. § 707. We also approve a support services agreement between Union and CMP and grant a waiver of the requirements of Chapter 820, § 4.

II. BACKGROUND

On February 26, 2003, CMP filed a request asking the Commission to approve an arrangement under which Union Water may provide certain support services to CMP at Union's fully distributed cost. The services include utility location, pole setting, and construction and maintenance. CMP asserts that this agreement is similar to those approved by the Commission that allowed support services between Energy East and its affiliated utilities at fully distributed cost (thereby granting a waiver of Chapter 820's requirement and preference that service billing among members of an affiliated group be at market price). *Central Maine Power Company, Request for Approval of Affiliated Interest Transaction for Two Service Agreements with Energy East Management Corporation*, Docket No. 2001-178, Order Approving Stipulation (July 10, 2001).

On April 26, Staff held a prehearing conference at which CMP answered questions about its filing. CMP subsequently submitted written responses to oral data requests made during the conference.

III. DISCUSSION

Union Water (through its business division On-Target) has been providing some or all of the services described above to CMP over the past 10 years. CMP's practice has been to go out to bid when it needed these services. If it selected Union as a result of the bidding, it would seek Commission approval of the affiliated interest transaction. Most recently, the Commission has approved arrangements for Union to provide locate services to CMP through June 30, 2003 and for pole setting services in parts of CMP's territory through December 2003. See, *Central Maine Power Company, Request for*

Approval of Affiliated Interest Transaction with Union Water Power Company, Docket No. 2003-136 (Sept. 24, 2002); *Central Maine Power Company, Request for Approval of Affiliated Interest Transaction with Union Water Power Company for Pole Setting Services for the Period January 2001 through December 2003*, Docket No. 2000-951 (Dec. 19, 2000). The Commission has found that these arrangements are not adverse to the public interest (as required by 35-A M.R.S.A. § 707(3)) when the bidding was at arms-length, and Union was selected as the lowest bidder through a fair bidding process. *Id.*

CMP now requests that the Commission approve a blanket agreement that will allow it to enter into arrangements with Union without separate Commission approval each time. CMP will pay Union's fully distributed cost as provided for under the Federal Securities and Exchange Commission's regulations. CMP will continue to seek lowest cost providers for services but will not be obligated to go out to bid. CMP points out that its Alternative Rate Plan (ARP) creates incentives to choose the lowest cost providers.

After reviewing the information provided, we will allow CMP to enter into an agreement with Union with certain conditions. CMP in its request relies on the Commission's approval of similar arrangements between Energy East and its affiliates in Docket No. 2001-178. We do not believe this situation is precisely analogous. When we allowed fully distributed costs for those arrangements, we noted that the type of services being provided were not those for which a market price was easily or readily available. In this case there clearly are other entities that provide these services. However, given that CMP is under an ARP, ratepayers will likely be insulated from any rate impact from the costs being passed on by Union to CMP. Therefore, the arrangement is not adverse to the public interest. CMP should be prepared to document that its agreements with Union are reasonable when rates are next set or should CMP seek a rate adjustment under the earnings sharing provision of its ARP. CMP has also agreed to notify the Commission when it enters into new contracts with Union. Our approval is also limited to the three types of services set forth in CMP's request (location, pole setting and construction and maintenance). CMP should request further approval if it intends to contract with Union for other services.

Finally, we note that construction and maintenance includes "energy efficiency performance contracting and energy management services." CMP has entered into an Areawide Contract for energy management services with the federal General Services Administration. Such contracts must be with an electric utility. CMP no longer has staff to provide such services. At CMP's request, the Commission allowed CMP to assign the contract to Union under the condition that Union would charge CMP its direct costs plus pay CMP an amount equal to 5% of Union's projected net profits related to services provided under any Areawide Contracts. This arrangement ends in December 2006. *Central Maine Power Company, Request for Approval of Affiliated Interest Transaction (Extension of Agreement with Union Water Power Company for Energy Management*

Services), Docket No. 2000-109, Order Approving Stipulation (April 13, 2002). Our approval in this docket of this affiliated interest transaction and agreement with Union does not affect our previous Order in Docket No. 2000-109.

Accordingly, we

O R D E R

1. That the affiliated interest transaction between Central Maine Power Company and Union Water Power Company whereby Union will provide support services to CMP pursuant to a service agreement included in its filing of February 26, 2003, is approved pursuant to 35-A M.R.S.A. § 707 as described in the body of this Order; and

2. That Chapter 820's preference for market rates is waived and Union shall bill CMP its fully distributed costs consistent with the rules of the Securities and Exchange Commission.

Dated at Augusta, Maine, this 25th day of June, 2003.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.